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Governor

ORIGINAL  
ARIZONA DEPARTMENT  
OF  
ENVIRONMENTAL QUALITY

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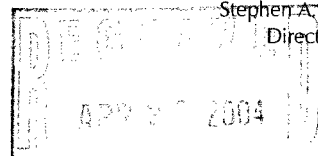
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Stephen A. Owens  
Director

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April 16, 2004



Arizona-American Water Company's Rate Case Application;  
Docket Nos. WS-01303A-02-0867; WS-01303A-02-0868;  
WS-01303A-02-0869; WS-01303A-02-0870; W-01303A-02-0908

The Honorable William A. Mundell  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007-2927

Re: Nitrate Contamination - Arizona American Water Company  
Public Water System ID# 08-015

RECEIVED  
2004 APR 27 A 10:39  
AZ CORP COMMISSION  
DOCUMENT CONTROL

Dear Commissioner Mundell:

Your letter of March 18, 2004, regarding water provided to the Desert Hills area by the Arizona Water Company, has been reviewed by appropriate staff in ADEQ's Water Quality Division.

My staff confirms your understanding that the Company, which has experienced elevated nitrate levels in water it provides to that area, has met or exceeded regulatory requirements by providing public notification and alternative (bottled) water to those persons served by the Company.

ADEQ recognizes these are short-term solutions. Meeting these regulatory requirements during the period necessary to arrive at permanent, long time solutions, however, offers immediate protection of public health and continuation of water service for certain non-potable needs such as evaporative cooling, flushing of toilets, etc.

Both rule and ADEQ procedures, however, require permanent long-term solutions to all drinking water quality issues. ADEQ staff confirms that the Company is moving forward with plans to develop a new water source(s) with lower nitrate levels and to possibly blend down the nitrate levels with the existing problematic source. The Company's original three to six month timeframe estimate for completion of such a project certainly meets industry standards for similar undertakings.

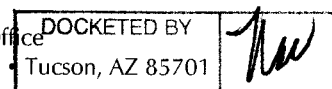
An April completion date, as outlined in your letter, is ambitious, and unforeseen obstacles can arise during the course of planning, scheduling, permitting and constructing such a project. As such, ADEQ would consider a mid-summer completion date acceptable as long as the appropriate public notification and alternative water requirements continue to be Arizona Corporation Commission

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APR 27 2004

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Commissioner Wm. A. Mundell  
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It should also be noted the Company has submitted recent analytical results demonstrating a downward trend in nitrate levels for the problematic source(s). The most recent sample collected on March 18, 2004, showed a result of 8.36 mg/L, down from a level of 12.84 mg/L taken on February 10, 2004. The new analytical results coupled with a historic pattern of seasonal nitrate levels and increased (monthly) testing by the Company indicate that the water meets state and federal standards. However, ADEQ will continue to encourage the Company to proceed expeditiously on the development of an engineered long-term solution, and the Company has agreed to do so.

If you have any further questions or comments, please feel free to contact me directly or call Karen Smith, Director of our Water Quality Division, at (602) 771-2306.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Owens", written over a horizontal line.

Stephen A. Owens  
Director

cc: Karen Smith